

FIELD Report No. 7

Sustained Market Access for Subsistence Farmers in Bolivia

Final Learning Agenda Report

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FIELD-Support LWA



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THE SCIENCE OF IMPROVING LIVES

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Sustained Market Access for Subsistence Farmers in Bolivia

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Antipampa community members, from Sica Sica Municipality, collecting milk for the Pil Andina company.



Sapahaqui producers visiting Ketal Supermarket

This publication was produced for review by the United States Agency for International Development. It was prepared by Lisa K. Piper, Williams Zavaleta, and Mariko Scavone from Save the Children through the AED*-Managed FIELD-Support LWA.

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**In July 2011, FHI acquired the projects, staff and expertise of AED to form FHI 360.*

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EXECUTIVE SUMMARY

Between 2002 and 2008, under the multi-million dollar, USAID-funded Title II Food Security project, Save the Children worked to reduce chronic malnutrition in one of the most malnourished parts of the world. Save the Children managed and implemented three integrated components – Health, Income Generation, and Natural Resource Management – to tackle the root causes of food insecurity in Bolivia. Unemployment and poverty figures suggest that the greatest factor affecting food security is access.¹ In fact, 59% of the population in rural areas does not earn sufficient income to meet basic food needs. The following paper discusses how Save the Children’s large food security program scaled down to a smaller market-focused project driven by value chain methodology.

Learning Agenda Structure

Save the Children’s experience between 2002 and 2009 in Bolivia is noteworthy because it encompassed changes in strategy and activities that make a strong platform for learning regarding **how to transition from a heavy-handed implementing agency to a facilitator**. In this context, an implementing agency refers to institutions with a strong field presence and the direct provision of goods and services, while a “facilitator” role means providing beneficiaries with the skills and opportunity to acquire goods and services on their own. This case will explain each of the roles more carefully and how these roles changed and the lessons learned for Save the Children as it made the transition from a Title II² food security project to a market-focused project with an emphasis on value chains.

As such the Learning Agenda will examine the evolution of the Income Generation component of Title II into the Sustained Market Access project. The Learning Agenda will also further explore the challenges that Save the Children faced along the way. In order to best capture the changes, this Learning Agenda is organized chronologically from the early stages of the Title II program to its successor. It is important to note that Save the Children’s Title II project had many success stories and lessons learned, but this Learning Agenda will not speak to those. It will instead focus on the difference between Title II and its successor.

Part I discusses Save the Children’s Title II work from 2002 until its mid-term evaluation in 2004. This part will provide the background of Title II and speak to the key problems and changes implemented after the mid-term evaluation. Part I will also examine how the Title II project worked to increase incomes from 2002 to 2004. Part II will discuss Title II work from 2004 until the close date in 2008, with a focus on changes to the Income Generation component. Part III examines the implementation of the Sustained Market Access project, and speaks to the challenges and specific lessons learned in its implementation.

Grassroots Beginnings

On the ground from 2002 to 2008 during Title II, Save the Children relied on a fleet of field technicians specializing in agronomy, natural resource management, and health. These field technicians lived and worked in the intervention areas to provide program participants with the necessary skills and infrastructure to fight malnutrition. For example, in addition to capacity building in everything from use

¹ In other words, families do not have sufficient income to purchase foods that satisfy their dietary requirements.

² USAID’s Title II Food Security program in Bolivia, implemented from 2002-2008, used food and local currency to support community efforts to overcome development constraints and enhance household food security.

of high-quality seeds and irrigation to post-harvest handling and cost calculations, the multi-disciplinary Income Generation team also organized producer fairs and designed marketing materials. This model was based on leveraging project resources in order to directly provide beneficiaries with products and services, and thereby reach as many people as possible. Save the Children's Country Director, Gary Shaye, described this model as "leaving a large footprint on the communities."

From Grassroots to Market

After six years of grassroots work Save the Children had deep knowledge of community institutions, leaders and practices, and expertise in mobilizing resources to work directly with rural communities. However, for the Income Generation team there was still work to be done in strengthening commercial relationships. By early 2008, the traditional grassroots portfolio began to include private sector actors, but at the same time the well-funded Title II project came to a close. As a result, Save the Children reduced its motorbike fleet of technicians by 70%, reduced support staff such as drivers, and eliminated one of two positions for commercialization specialists that were responsible for making market connections. In order to continue improving income generation, Save the Children began implementing the Sustained Market Access project with funding from the Academy for Educational Development (AED). This project aimed to build on Title II experience, but with far fewer resources and a stronger market focus. The following Learning Agenda is meant to highlight the lessons learned in the process from Title II to the Sustained Market Access project.

Background and Context

Bolivia is one of the most impoverished countries in Latin America. Six out of ten Bolivians live in poverty, and four out of those six live in extreme poverty. That means around 60% of Bolivians are poor. In rural areas, this figure is 80%. The World Bank reports per capita GDP at \$1,260 and the Center for Labor and Agriculture Studies (CEDLA in Spanish) found underemployment at 60% and unemployment at 52%.³

One of Bolivia's greatest development challenges is overcoming food insecurity. World Food Program data in 2005 indicated that stunting in children under five exceeds 40% in the most food-insecure municipalities. Food security depends on three issues: use, access and availability.⁴ Unemployment and poverty figures suggest that the greatest factor affecting food security is access. In fact, 59% of the population in rural areas does not earn

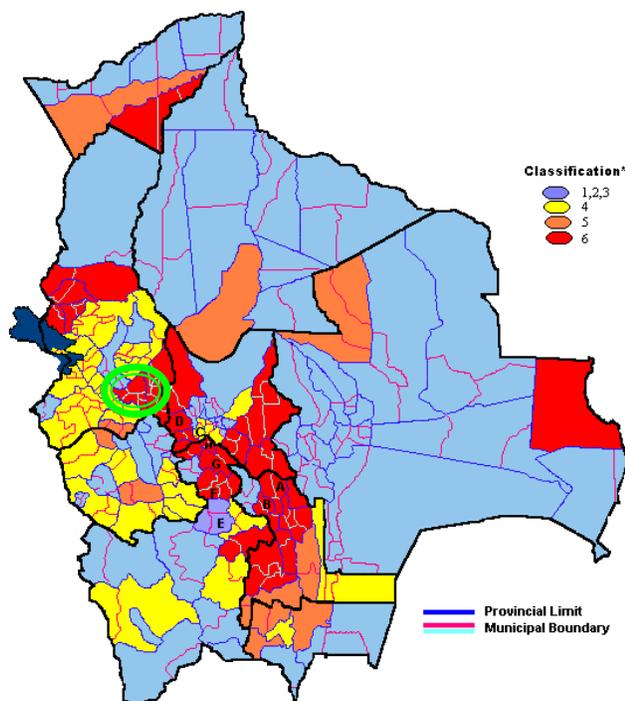


Figure 1: Areas of Food Insecurity in Bolivia

³ World Bank (2007), "Bolivia at a Glance," available at: http://devdata.worldbank.org/AAG/bol_aag.pdf

Centro de estudios para el desarrollo laboral y agraria, May 2009. "Unemployment reaches 52% in large cities in Bolivia." http://www.yoemito.com/index.php?option=com_content&view=article&id=512:fre&catid=28:current-lapz&Itemid=69.

⁴ "Use" refers to the sufficient consumption of food, "access" to the ability to buy sufficient food, and "availability" refers to whether nutritious foods are offered in the target communities.

sufficient income to meet basic food needs.

The World Food Program reports: *The largely rural and indigenous population in these municipalities depends heavily on subsistence agriculture; during the lean seasons people experience food deficits, and frequent natural disasters make agriculture an unreliable source of income. These factors affect the nutritional status of children, causing serious levels of chronic malnutrition.*⁵

Within this context, between 2002 and 2008, Save the Children implemented its Food Security Development Assistance Program, funded with USAID/Food for Peace Title II (TII) resources. The objectives were to lower chronic malnutrition in approximately 200 rural communities and reduce the risks of malnutrition in the outskirts of La Paz city. Save the Children implemented Title II activities in areas of extreme food insecurity in eight municipalities in La Paz province. Figure 1 depicts areas of extreme food insecurity, and the green circle shows the area of Title II interventions.

⁵ World Food Program, available at: <http://www.wfp.org/countries/bolivia>.

LEARNING AGENDA

This section describes in further detail the key lessons learned by Save the Children in implementing the USAID Title II program in Bolivia and its transition into a smaller more targeted project through the Sustained market Access for Subsistence Farmers pilot activity, through FIELD-Support LWA.

| 2002 | 2004 | 2008 | 2010 |
|---|--|--|------|
| <p>Part I: 2002 – 2004 Farming and Livestock <i>Under Title II</i></p> <p>Key approach: Focus on training producers to increasing farm productivity.</p> <p>Key lesson: Increased productivity does not necessarily lead to increased income.</p> | <p>Part II: 2004 – 2008 Income Generation <i>Under Title II</i></p> <p>Key approach: Adopt a market-driven focus to apply value-chain strategy, and hire project staff accordingly.</p> <p>Key lesson: Focus on strategic collaboration amongst stakeholders to satisfy market demands and maintain long-term relationships.</p> | <p>Part III: 2008 – 2010 Sustained Market Access for Subsistence Farmers <i>Under FIELD-Support LWA</i></p> <p>Key approach: Support commercially sustainable solutions to address major bottlenecks in targeted value chains.</p> <p>Key lesson: A more hands-off approach that focuses on facilitation versus direct service provision can help stakeholders establish lasting relationships and more sustainable results.</p> | |

Part I: 2002-2004: Farming and Livestock within Title II

Save the Children’s income generation work did not start with an exclusive market focus. From 2002 to 2004 the objective of the Farming and Livestock component was to increase the income of beneficiaries by increasing farm productivity. As such, Save the Children trained producers in seed selection, irrigation and use of pesticides. The large Title II funding also enabled Save the Children to build infrastructure such as improved roads.

In order to increase farm productivity, project personnel from mid-level managers to field technicians consisted of university-trained agronomists. As a result of the two year work in the impact zone, production did indeed increase and families enjoyed improved quality produce.

TII activities continued under this structure until 2004, when mid-term evaluators pointed out that income in the zone was not increasing significantly, and in fact, malnutrition between 2002 and 2004 had marginally increased about one percent from 38.5% to 39.7%. Save the Children thus faced serious changes in the structure of its Title II project strategy, teams, and activities.

| Lesson:
 The experience from 2002 to 2004 highlighted the inaccurate assumption that increased productivity led to increased income.

Part II: 2004- 2008: Income Generation within Title II

In 2004, the former Farming and Livestock component changed radically to the Income Generation component. The mid-term evaluation pointed out that increasing production was useless, if producers

could not find an outlet for the improvements in quality and quantity that they were experiencing. The experience from 2002 to 2004 had shown the assumption that increased productivity would lead to increased income was wrong. Save the Children learned that better production alone was not enough, and working with market actors was the critical link between better production and better income.

Save the Children internalized the problems highlighted by the mid-term evaluation and responded with two major sets of changes: 1) undertaking a market-driven focus and 2) a change in personnel. To make such a shift in the former, the team re-gearred their approach and adopted a value chain strategy. The new value chain strategy viewed production from the point of view of satisfying market demands. Subsequent surveys after the mid-term evaluation helped the project team envision the entire value chain that created a series of processes that enabled producers to better reach consumers.

1) Market-Driven Focus

Under the new market-driven focus, all activities were aimed at improving how the value chain functions rather than understanding the chain of events that lead to better production. The team was tasked with understanding the analysis and chain of events that led to better sales. For the Save the Children team, the strategy unified project activities, making the Income Generation component more cohesive than it had been as the Farming and Livestock component. It is difficult to capture what project cohesiveness truly means, but project staff members described it as having a better understanding of how to choose activities as well as how to justify them. Essentially, the team could use the market as a compass in determining which products to improve. In the past, field technicians worked to improve production merely to improve it. Now market demand served as a clear, unifying theme in project activities.

A good example of a changing activity was beginning to offer producers training in cost analysis, product competitiveness and profitability. These were key trainings to a market-based approach because they would allow producers to learn to manage their micro-business as well as sell better. In addition, infrastructure activities were planned with the market in mind⁶.

Infrastructure projects take on a new significance under a value chain approach

The large Title II funding allowed the Income Generation component to build productive infrastructure including stables, road improvements, and irrigation systems. These infrastructure projects were fundamental in increasing the competitiveness of rural families.

At approximately 3,800 meters above sea level, the extreme cold and dry climate of the Altiplano, a flat plateau at the widest point of the Andes mountains, severely limits agriculture-based livelihoods such as milk production. Cold milk cows expend calories conserving body heat, and therefore produce less milk. In addition, dairy companies cannot reach producers during the rainy season because low quality roads are washed out. Save the Children saw that milk demand far outpaced production, and made choices in infrastructure investments as required by the market.

The Income Generation component built several demonstration stables because they provide shelter for cattle during the night so that they conserve calories and produce more milk. In addition, Title II funds were used for road improvement projects that enabled milk producers in the Altiplano to sell their milk even during the rainy season when roads became impassable.

⁶ Only infrastructure that led to increases in income would be considered, for examples roads had to connect to market.s

2) Personnel Changes

This disconnect between farmers and markets pointed to another obvious problem. With all the focus on producing, the Save the Children team did not know what products the market demanded or the major bottlenecks preventing collaboration among value chain actors. So, Save the Children implemented the second major change to the Income Generation component – changes in staffing. Willams Zavaleta, manager of the component, captured the change in personal well, “2004 was the end of the agronomist in Title II.” Mr. Zavaleta, himself a trained agronomist, was making a point that traditional agronomy training was not sufficient under the new market focus. Because agronomists are trained more as agricultural researchers, they do not see the entire process “from farm to fork” that is needed to bring produce from the farm to the final consumer.

| Lesson

The key message was that Save the Children was completely involved in the value chain, and while Title II was successful in implementing market-driven activities, the team needed to switch gears yet again in order to identify market-based solutions. In this way, value chain actors would assume Save the Children’s role.

As such, Save the Children replaced many mid-level managers with people who had experience working in market-focused interventions or could adapt to the mindset required for that type of work. Looking back on the personnel overhaul in 2004, the Save the Children Title II team concluded that mid-level managers were really the key in being able to implement a value chain methodology because many of their decisions guide work in the field. Changes in personnel at the field level was not and did not need to be as dramatic because field technicians were able to learn and implement new activities as long as they had a consistent message from their direct supervisor.

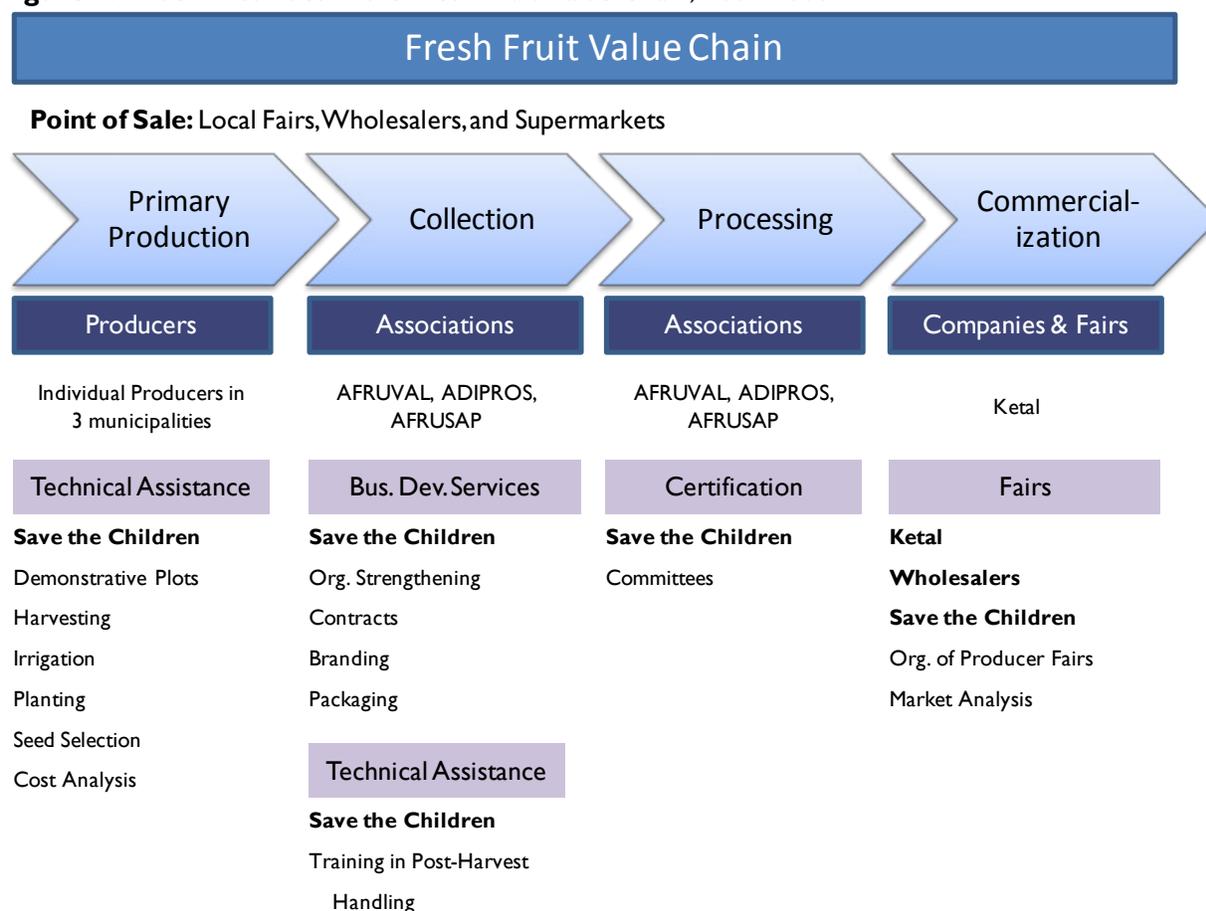
New and remaining staff participated in training designed and offered by outside experts, exchange trips to other projects, and internal discussions. Save the Children also invested in materials such as marketing books to have on hand and for project staff to use as reference guides. Next, two specialists in marketing and commercialization were incorporated into the team. The specialists, based out of La Paz, made frequent trips to the field to provide training activities (to beneficiaries) as well as organize activities such as producer fairs and marketing materials. These activities were designed to bring in the selling aspect that had been missing from the project in 2002-2004.

From 2004 to the project’s close-out in early 2008, the Income Generation component made impressive progress. Working in fourteen value chains, household income increased an average of 307%, thereby supporting a reduction in chronic malnutrition from 38% to 23% in the intervention areas. The creation of marketing materials such as improved packaging, colorful product offer sheets and posters in addition to promotional fairs held at the national level led to consumer awareness and increased demand for products with origins in the intervention zones. In the past, producers were unsure why certain production technology was important, but sales generated from improved produce proved to them that better produce meant more sales. Producers also began to think of their agriculture endeavors as actual businesses, and as such began the process of formalizing their micro-enterprises through health certificates and fiscal regimes. A couple of entrepreneurial producers began transforming fruit into jams and dried fruits to sell to formal buyers.

Save the Children also began important work in credit facilitation and developing a retention model that allowed producers to borrow using their milk production as a guarantee. The dairy then bought milk, giving part of the total value directly to the producer and retaining a portion to pay directly to the micro-finance institution on behalf of the producer. Save the Children facilitated \$20,580 worth of credit to 37 producers in the milk value chain. The microfinance institution, Sartawi, reports 0% default

Yet there were still challenges in how to improve the link between producers and markets. In fact, the sales generated under Title II were largely in informal markets, and therefore unpredictable. In addition, Save the Children played a significant role in the development of the value chain. The role was to such an extent that Save the Children was turning into a key value chain actor. Figure 2 below shows how Save the Children conceptualized the value chain from primary production to commercialization, and the types of activities. In primary production, Save the Children provided technical assistance in harvesting and irrigation. In the collection stage Save the Children offered business development services including developing a logo and improved packaging. In the processing stage, Save the Children hired a consultant to train producers how to make jams and other products as well as oversee the entire health certification process. Save the Children also formed committees to ensure that products sold under a certain brand had passed certification at the community level⁷.

Figure 2: Title II Activities in the Fresh Fruit Value Chain, 2004-2008



In the commercialization stage, Save the Children actually organized fairs. This included the entire process from advertising to organizing producers and setting up booths. The fairs were so successful and popular that the municipalities themselves decided to organize them. Unfortunately post-Title II fairs were not as successful because producers did not have all the necessary planning skills. Even if they did, it was not likely that they would be able to devote as much time or as many resources as Save the

⁷ The brands and logos pertained to municipalities. Producers would brand their product from Sapahaqui (name of municipality) along with or instead of their own micro-enterprise brand. This was effective because it earned consumer recognition for fruit from the intervention zone. The community committees therefore had to ensure that the brand was not compromised by lower quality produce coming from the same community.

Children was able to invest. As such, the sustainability of the fairs was called into question. The key message was that Save the Children was completely involved in the value chain, and while Title II was successful in implementing market-driven activities, the team needed to switch gears yet again in order to identify market-based solutions. In this way, value chain actors would assume Save the Children's role.

Part III: 2008 to 2010: The Sustained Market Access Project

After a successful experience working within a market-focus, Save the Children's next challenge was how to continue developing and consolidating the fledgling value chains through improved and sustainable commercial relationships. Save the Children realized that value chain actors themselves needed to work in a more strategic collaboration in order to satisfy market demands as well as maintain a long-term win-win relationship. The Sustained Market Access pilot activity, funded through USAID's FIELD-Support LWA, which is managed by AED, aimed to do just that. The project was 16 times smaller in terms of financing than Title II's Income Generation component, and worked in two value chains as opposed to 14. The project's main objective was to support commercially sustainable solutions to the major bottlenecks in each of the targeted value chains (fruit and milk). In the fruit value chain, the goal was to strengthen the relationship between formal buyers and producers. In the milk value chain, because the main problem was low milk production, the goal was to strengthen the commercial relationship between a supplier of balanced feed – a supplement that increases milk production – and producers that buy.

The following sections highlight how the Sustained Market Access project differed from the Income Generation component of Save the Children's Title II program.

1) Type of Market Access

In transitioning from Title II to the Sustained Market Access project, the first obvious question the team faced was, "If we want to strengthen relationships between buyers and sellers, what kind of buyers should we work with?" Bolivia, like many countries, has a thriving informal market. The informal market is characterized by street vendors who buy and sell without any pre-arranged agreements. The price is determined on the same day as the sale, and there are no agreements to hold either party (buyer or seller) to their promises. Relationships can be short-term as buyers and sellers enter in zero-sum games where one's gain is the other's loss. This means that neither partner is willing to commit because they are afraid a better opportunity might come along. The fact that informal commercial relationships are often short-term exacerbates this zero-sum game because there is no reason to complete an agreement if no future relationship exists. Therefore, each is out to maximize his or her own benefit even at the expense of others.

For example, producers often site agreements with wholesalers in which they agreed to a price, but on market day the wholesaler dramatically lowered the price and told the producer to take it or leave it. The producer has little choice but to accept because fruit has a very short shelf life and not selling it could mean losing part of the harvest. Thus, the producer will accept the lower price. This type of behavior played out over years of selling discourages any pre-arrangements. In addition, the informal market does not emit receipts and taxes are not paid on commercial transactions.

On the other hand, formal markets are characterized by businesses that pay taxes, have well-established commercial locations (i.e., stores or processing plants as opposed to selling on the open street) and are more open to making pre-arranged buying and selling arrangements. Most companies look for a longer

term relationship with producers so that they can avoid spending the time needed in training a new seller about store policies.

Thus, Save the Children began a market analysis in order to better understand each market and its bottlenecks. After conducting focus group interviews and interviews with value chain actors, Save the Children decided to work in the formal market. In the fruit value chain producers cited a need for a more secure market and a need to waste less time selling. Formal buyers identified a problem with continuity in terms of quality and quantity from a handful of reliable producers.

In the milk value chain, Save the Children worked under Title II to begin developing the relationship between the buyer – a large formal dairy – and the producers in the zone. This way there was already a steady formal market buyer who demanded more milk than was available. Producers were satisfied with this buyer, but wanted to produce more in order to have a stronger bargaining position mainly over prices, but also in regards to embedded services such as veterinary services and certain credit facilitation. The milk company was also satisfied with the producers, but because its cold tank was still not operating at full capacity due to low production in the zone, the dairy wanted to increase the amount of milk it could buy.

In addition, the Save the Children team wanted to be sure that project interventions were sustainable, and therefore formal market actors were chosen for their high potential for sustainability. Also, the team thought the bottlenecks that existed in both value chains could be solved through market-based solutions.

In the fruit value chain, the work was challenging because Save the Children was new in working with formal market relationships and so did not have many contacts. Plus, in Bolivia it is difficult to estimate which market – formal or informal – has greater demand. The Sustained Market Access project was able to work on the *direct*⁸ commercial relationship between five producers and six formal markets.

The conclusion is that informal markets should not be ignored. They can be a good learning ground for producers who are not ready to make commitments to formal markets. In fact, surveys showed that one of the main fears in entering formal markets agreements was not being able to complete an order due to an unforeseeable disaster such as an early freeze or traffic accident that prevents timely delivery. In future projects, Save the Children would look more carefully at the *quantities* that each market demands (formal and informal), so that more participants can benefit from commercial relationships.

| *Lesson:*

While informal markets can often mean that relationships are short-term and buyers and sellers enter in zero-sum games where one's gain is the other's loss, they should not be ignored. They can be a good learning ground for producers who are not ready to make commitments to formal markets.

2) Narrowing the Focus in Transition from Food Security to Sustained Market Access

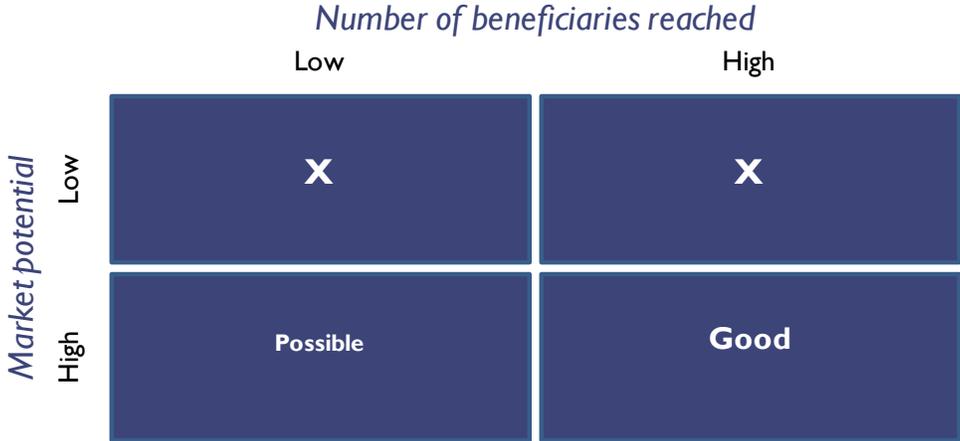
The second major change in the transition from the Title II market-focused work to the Sustained Market Access project was narrowing our focus. Save the Children did this in two ways: 1) reduced number of value chains and 2) a shift in Save the Children's role.

⁸ According to the final indicator report, those five direct commercial relationships supported approximately 59 indirect commercial relationships.

First, for the Sustained Market Access project, Save the Children selected only two value chains to receive project funds instead of the fourteen value chains under Title II. The food security program worked in a vast number of value chains because the program was designed specifically to reach a large number of beneficiaries. Because the beneficiaries were devoted to a wide range of agricultural production, Save the Children made investments in a wide range of value chains. In contrast, under the Sustained Market Access project, the Save the Children team carefully selected value chains based on an analysis of market potential (demand and chances of profitability) as well as the number of beneficiaries potentially impacted. As an institution with a strong grassroots portfolio, Save the Children saw a need to include as many beneficiaries as possible within the boundaries of the previous selection criteria. As such, the team selected the fresh fruit (mainly peaches, apples, and grapes) and the milk value chains.

Figure 3 below is an easy-to-understand matrix that future projects may find useful when planning their value chain activities. The “POSSIBLE” quadrant depicts value chains that have a high market potential, but impact relatively few beneficiaries directly. This is a potentially fruitful area for work because a value chain with enough potential can indirectly impact a large number of beneficiaries if that chain requires specific products/services that can be sourced locally or if the quantity demands are large enough that a main producer can buy locally from other suppliers. Figure 3 also shows how a careful value chain analysis is important to avoid value chains with low market potential. These value chains will not be successful over time, and so project activities would not be sustainable.

Figure 3: Matrix of value chain selection.



Second, Save the Children narrowed its focus once we chose each value chain. Under Title II, Save the Children understood the value chain in terms of primary production, collection, processing, and final selling or commercialization activities, and we were involved in each process. The table in Figure 2 above showed this dynamic. For example, in the primary production chain, Save the Children directly provided training to farmers and certified “expert” community members so that they provided services in their communities once we withdrew. In the collection stage, Save the Children worked on forming and training producer associations in the milk value chain and “competitiveness committees” in the fruit value chain.

With the Sustained Market Access project, Save the Children’s value chain analysis suggested specific bottlenecks that project resources should be spent on. In the milk value chain, a large unmet demand from dairy companies indicated that the value chain bottleneck was in the primary production phase. We then identified which aspect of cattle handling and milk production was keeping quantities low. For example, milk farmers originally thought that their inability to deliver milk to the collection point was

the bottleneck, and so the next step would be to invest in transportation. However, the analysis showed that the problem was actually milk cows' poor nutrition. So, the Sustained Market Access project focused resources on finding a commercially sustainable solution to bettering cows' nutrition.

In the fruit value chain, we found that the main bottleneck was few market relationships between fresh fruit producers and formal market buyers. Under Title II, Save the Children succeeded in organizing producer fairs in which producers sold their produce to buyers in plazas. This served to introduce producers to consumer demands as well as promote fruit of the region. In fact, fresh fruit from the Title II intervention zones gained popularity as high-quality national products. Under the Sustained Market Access project, however, we focused resources on helping producers contact formal markets to sell their produce instead of organizing informal selling venues.

| *Lesson:*

Narrowing the focus on targeted value chains can help identify specific bottlenecks and resource gaps.

3) Participant Beneficiary Selection

Although the project aimed to include as many beneficiaries as possible, fewer potential beneficiaries had the necessary skills and drive to meet the entrepreneurial requirements under the Sustained Market Access project when compared with our previous projects. Under Title II, Save the Children strove to deliver services to a large number of beneficiaries. With the Sustained Market Access project, however, fewer producers were willing to make the investments in time, energy, and other resources or take the risks that the project demanded. For example, the Sustained Market Access project required producers in the milk value chain to buy reduced cost inputs. Because we did not distribute these inputs, they had to decide whether to invest time in learning how to use the input plus take a risk that the input would not work. With these requirements, the project design called for selecting 'model' producers. These producers were willing to take risks as well as ready and willing to interact with formal market buyers.

During project implementation, fewer beneficiaries showed interest in participating in project interventions. In contrast, under Title II beneficiaries demonstrated a high interest in participating in activities. This difference can be attributed to several reasons:

- 1) First, trainings shifted from tangible subjects such as production to more complex subjects like marketing and sales techniques. Under Title II we learned that an important aspect in the sustainability of technology or information transfers is the affect that those lessons have on household earnings. If beneficiaries see a direct, positive relationship between learning and income, they will continue to participate in training sessions. However, for producers with little experience in formal markets, the value of the training sessions was not readily obvious. Indeed, under the Sustained Market Access project trainings were conceptually more complex and more difficult for producers to grasp.
- 2) Second, Title II offered food rations as incentives for participation in training activities. The Sustained Market Access project provided beneficiaries with a workbook and colorful booklet to help recall the lessons. The main incentive to participate in training activities was the knowledge itself. That is, producers with the desire and willingness to begin selling in formal markets were more likely to benefit from the training sessions as well as put the knowledge to use.
- 3) Third, in terms of training activities, Save the Children learned that providing a set of tools and trainings specific to the needs of *selected* beneficiaries was important in order for those beneficiaries to better interact with formal markets. In addition, we learned that many participants self-select

over the course of project implementation. The most difficult aspect of this in transitioning from food security was that many project staff wanted to reach a large number of beneficiaries, and so the selection process seemed out of line with the standard operating procedure. Also, food security programs often measure impact by the number of people accessing a particular service. When more people attend trainings, for example, the success is considered greater. The Sustained Market Access project, however, did not set out to reach the high direct beneficiary numbers of Title II.

In the milk value chain, the selection process was built directly into the project design. That is, ‘model producers’ were required to actively participate in project activities in order to receive project support. The project explained that models would receive specialized support so that they could serve as examples for the rest of the community. Through visits and a survey, model producers had to show leadership and entrepreneurial qualities, as well as demonstrate relatively high technical ability to care for their farm. Model producers also had to be willing to act as models and host visits by non-models to showcase their successes.

In the fruit value chain, the number of producers was determined by the quantity of fruit demanded by formal market buyers as well as by a self selection process. While Title II worked to help producers sell in both the formal and informal market, the Sustained Market Access project worked exclusively with formal markets. These markets included three fruit processing companies and three supermarkets. Because the process and relationships were new, neither the buyers nor the producers invested 100% of their producing or buying capacity in each other. For example, the supermarket Ketal in La Paz was supplied by one producer. The producer also chose to sell in the informal market due lack of familiarity with the formal market. Likewise, Ketal expressed a lower demand because of working with a new supplier. This dynamic changed over the past agricultural cycle and Ketal’s demand per week doubled from 600 kilos to 1200. The producer was also more willing to supply greater quantities to Ketal as on-time payments in the amounts agreed upon, and mutually accorded delivery agreements proved the supermarket a trustworthy partner.

| *Lesson:*

In order for these agreements to work, the producer must view the relationship as a process that lasts for more than the single sale usually available in other markets, and have a longer term view of the relationship.

In addition, producers engaged in a process of self-selection. In the selection process, producers agreed to work with formal buyers when Save the Children presented the opportunity. They showed their commitment by traveling to meet buyers, attending training sessions, and arranging a fixed selling price in advance. The fixed selling price was an important sign of seriousness because many producers prefer to sell according to the daily price. In a formal market, the fixed price means that sometimes a producer has already promised his/her produce at a lower price than that available in the market. If, on the other hand, the daily market price is

lower than the agreed fixed price, the producer enjoys a greater benefit. In order for such an agreement to work, the producer must view the relationship as a process that lasts for more than the single sale usually available in other markets, and have a longer term view of the relationship.

4) Formal Market Buyer Selection

Just as the selection of producers was an important lesson in value chain activities, so was the selection of formal market buyers. Save the Children found that not all formal market buyers were interested in consolidating their relationship more closely with producers. In one interview a formal market buyer said, “I’m not interested in who I buy from. If someone shows up with a lower price, I’ll buy from them. We don’t usually do anything to support the relationship with producers.” Save the Children found that

formal market buyers had differing levels of interest when it came to working with producers that could be understood along a “Relationship-Investment Continuum.” Investment in this case refers to time, energy, and resources that private companies invest in developing their relationship with fresh fruit suppliers. The continuum, described further below, includes “No interest,” “Nominal Interest,” “Medium Interest,” and “High Interest.”



- **No Interest** means that the company is only interested in buying fruit and not willing to forge a closer relationship with its suppliers. It is not important whether the same supplier provides fruit for one year or ten. The project should not invest its resources in helping buyers because they will likely do anything to secure greater commitment and better products from producers. As such, any investment is not sustainable.
- **Nominal Interest** means that the company expresses an interest, but is hesitant about making plans for the future or unresponsive to requests from producers or Save the Children (as facilitator of the relationship). In these cases, further exploration is worthwhile – especially because Bolivia is relatively limited in the number of formal buyers. However, the project should set up a time limit for the buyer to demonstrate a greater interest in pursuing a closer relationship with its supplier(s).
- **Medium Interest** means that the company is somewhat interested in developing its relationship with suppliers, but may be hindered by time or resource constraints. The project can work with such buyers to figure out the time and resource constraints and apply resources. For example, a commercialization specialist could work with a store manager to develop communication materials. The project should limit how much it is willing to invest in such relationships because it is easy to get overly-involved and take on tasks that the buyer should be performing. Again, the problem is sustainability – if Save the Children is doing what a private company should do, then the question becomes one of who will take on the role once the project closes.
- **High Interest** means that the company is very interested in establishing a long-term relationship with serious buyers. Companies in this category are willing to send representatives to the field to meet producers and invite producers to their factories or showrooms. The project should invest resources with such companies, and be serious about their suggestions and needs. For the project, it was risky to limit the number of companies to work with in the case that companies dropped out. So, for the fruit value chain resources were spread among a number of companies, while the project made heavy investments in one High Interest company.

In Bolivia, one of the best indicators of interest is whether a company is willing to travel to meet producers or to share costs so that producers can visit the company. In many cases, a Bolivian company may not be interested in investing in such activities as training or cost sharing for higher quality inputs or better transportation, but traveling seems a cost that interested companies are willing to assume. Another indicator was treatment during the buying season. Companies that paid on-time and maintained the agreement were more interested in maintaining a long-term relationship.

Save the Children’s experience is that picking one company in the High Interest category is more effective than choosing several in the Nominal or Medium Interest category. This is because a High Interest company will work more closely with the project, increasing the amount of investment and the speed at which the commercial relationship develops. For example, the fruit value chain has confirmed

orders for the next selling season, and the company in the milk value chain entered a completely new market and continues to provide technical assistance to producers in the zone.

Ideally, Save the Children would only have worked with companies that showed a Medium to High Interest. However, the project continued to facilitate a relationship with one company that showed No Interest because that company represented important fruit sales. This was very challenging because the project risked resources to work with companies that might not have developed a sustainable relationship for producers. Producers felt, however, that these are important sales worth the risk in working with a No Interest company because being able to make the first sale gives them a better opportunity to close subsequent deals. Moreover, closing the door on a perspective buyer is difficult because not very many formal market buyers actually exist in Bolivia.

5) To Offer Trainings or Not

One of the biggest internal debates was around whether or not to offer training activities at all. Save the Children had a strong preference towards providing trainings because with Title II implementation, we had become specialized in training. The team had the necessary skills to design a curriculum, teach it, elaborate training materials, and conduct monitoring and evaluation. Producers also echoed a similar sentiment saying that being trained was something that would last well into the future. They often said, “No one can take these trainings from me. They have been the difference between Save the Children and other institutions.” Finally, trainings were a way of reaching a larger beneficiary community than the relatively few who were able to sustain formal commercial relationships.

The project consulting partner, Action for Enterprise (AFE), had a different point of view, and was against Save the Children-provided direct training. The idea was that value chain actors should provide the necessary trainings through their relationship with each other. For example, one of the buyers in either the fruit or the milk value chain should work with rural producers to bring products up to the desired specifications. AFE advised Save the Children to withdraw its field technicians and let value chain actors take over the training process.

While Save the Children did not follow all of AFE’s recommendations, we altered our approach to trainings – especially in the milk value chain. Instead of Save the Children’s field technician providing the training, we worked with an input supplier, *Molinos Guadalupe*, to coordinate and deliver services. *Molinos Guadalupe* is a producer of high quality balanced feed. Balanced feed is important in animal nutrition, which affects cows’ ability to produce milk. After becoming the leader in balanced feed in the Cochabamba area, *Molinos Guadalupe* was in a period of expansion and ready to enter new markets. Providing training in coordination with Save the Children was a useful activity in terms of seeding a new market for its products.

In the project’s beginning Save the Children coordinated the transportation and training schedule so that *Molinos Guadalupe* could enter the zone and provide training. For the first three months of training activities, we worked closely with *Molinos Guadalupe* to design and print the training materials as well as to arrange logistical support. *Molinos Guadalupe* also made important investments including hiring a veterinarian to work with Save the Children personnel. Together the technicians visited communities and gave trainings as well as promoted the use of balanced feed. Over time, *Molinos Guadalupe* signed an agreement with the producer association, provided a car, and opened an office so that the company could completely take over the technical assistance role that Save the Children had originally assumed. The producers in the zone not only benefitted from the trainings themselves, but also they could rely on a partner to continue providing technical assistance once Save the Children’s project closed. Finally,

because *Molinos Guadalupe* was largely involved in designing and using the training materials and covered a portion of their costs, they will continue using them without Save the Children.

This difference in trainings was important because it allowed us to remove ourselves further from the value chain, while actors took over our role. *Molinos Guadalupe* learned how to work more closely with producers, gaining consumer loyalty, through trainings and face-to-face meetings. Save the Children did provide part of the funding, but from the producers' point of view, Save the Children was in the background.

This was not the case in the fruit value chain. Save the Children continued to provide direct capacity building activities to producers because none of the formal markets were willing to make the same investment as *Molinos Guadalupe* in the milk value chain.

| Lesson:

Training activities should have the “face” of value chain actors, so that buyers and producers can have more direct relationships for future transactions.

The main lesson for Save the Children is that training activities should have the “face” of value chain actors. That is, if Save the Children field technicians must directly train, they should do it in coordination with a value chain actor. Likewise, the value chain analysis should include a section specifically related to the specific capabilities that producers lack from the point of view of *both* buyers and producers. Then buyers and producers can decide how they would work with each other to ensure that these deficits are met. In the likely case that buyers and producers have a difficult time coming up with ideas, Save the Children should suggest how to design trainings so that each actor perceives that the other is a main facilitator.

6) Intensity of Activities Decreased Over Time

One of the biggest changes in the transition from a food security program to a market access project is the intensity of activities. Title II undertook activities that involved using project resources to bring services directly to beneficiaries. Save the Children employed this strategy because project participants were not able to satisfy their basic needs. Our teams worked at the grassroots level to begin addressing the causes of food insecurity in a very hands-on fashion. The intensity of activities can be understood by thinking of the number of processes involved in the implementation of each activity and Save the Children's involvement at each step. For example, the Title II Income Generation team planned producer fairs in the *fruit* value chain. First, Save the Children worked with producers in order to coordinate dates and product quality. We then hired a company to organize the fair. The company oversaw promotional activities and materials, but Save the Children had to approve each of their activities. Then Save the Children field technicians ensured that producers could make it to the fair. In such an activity, Save the Children was involved with all the main actors as well as the activity implementation.

Over time, Save the Children lessened the intensity of its activities. In other words, of all the individual steps taken to implement an activity, Save the Children performed less of them during the Sustained Market Access project activities. This means that personnel were involved less in the planning of an activity, and more in its overall management.

One example is in the planning of the producer fair in the *milk* value chain. Unlike producer fairs in the fruit value chain, the goal of such a fair is to showcase successes in cattle handling as well as provide *Molinos Guadalupe*, a supplier of balanced feed, an opportunity to show producers in the zone that it is a serious company. In the past, Save the Children would have taken charge of every aspect of the

producer fairs – inviting judges and other participating institutions, designing and printing promotional materials, deciding prizes and purchasing, setting up stalls, and even transporting animals to the fair grounds. However, under the Sustained Market Access project, the team did not organize such a fair unless it was mutually beneficial to several value chain actors, and had buy in. The producers saw the fair as a unique opportunity to showcase all their work as well as compete for prizes. As such, the producer association was willing to invest several prizes and the cost of transport for their animals (which was nearly 30% of the total cost of the fair). The producer association also organized the event venue and contracted for a sound system.

Molinos Guadalupe saw the fair as a good opportunity to establish themselves firmly in the zone as well as promote the use of their product. As such they invested prizes accounting for 16% of the total cost of the fair. In addition to this cost, *Molinos Guadalupe* provided a major investment in time. Their field technician invited judges as well as worked with producers so that it was truly their fair. In fact, *Molinos Guadalupe* was in charge of the fair, and requested various inputs from Save the Children. For the most part the company filled the role that Save the Children would have had under Title II. Save the Children helped in administrative activities such as writing a budget and activity plan. We also invested in items like posters and prizes that accounted for 55% of the total budget. While Save the Children still provided the lion's share of the budget, its activities were limited to behind-the-scene support. In the end, the producer association gained experience in event organization and *Molinos Guadalupe* proved itself a serious business partner.

There is no single reason that the intensity of activities lowered over time. To begin with, the food security program addressed chronic malnutrition by targeting the three central food insecurity issues of use, access, and availability. In contrast, the Sustained Market Access project did not focus on increasing value chain competitiveness by addressing each structure and dynamic within a value chain framework. Rather, the Sustained Market Access project focused most closely on commercial relationships among value chain actors with less attention to supporting markets. Also, the project did not work, for example, in improving the enabling environment. Thus the lower intensity of activities can be related to a fully integrated program (Title II) versus a project that focuses on a single aspect.

In addition, the project participants grew between the beginning of Title II in 2002 and the Sustained Market Access project in 2008. Over the course of Title II, the main change among beneficiaries was a major improvement in well-being (health, nutrition) and the vast improvement in quality and quantity of products to offer. In addition, the Title II work grew the desire to begin working in new markets. Title II was successful in showing producers that they could begin to access markets other than the informal markets they were selling in. In addition, Title II worked with producers to develop a name brand and improved packaging. The result was a heightened recognition for fruit with origins in the interventions areas. As producers began benefitting from these activities, they became more interested in selling in better markets, and more willing to invest the time and resources that these arrangements would require in the future. These investments enabled Save the Children to scale back activities as highlighted by the previous example.

Producers grew and changed during Title II, and so did Save the Children. For example, one of the lessons learned from Title II was the changing vision of the producer. At the beginning of Title II producers took on the role and were viewed as objects of compassion. Over time that vision changed to one of economically empowered entrepreneurs. With this new vision, the Save the Children team modified

| Lesson:

One of the lessons learned from Title II was the changing vision of the producer. At the beginning of Title II producers took on the role and were viewed as objects of compassion. Over time, that vision changed to one of economically empowered entrepreneurs.

its activities, and by 2008 we preferred to see transfers coupled with investment from producers. Save the Children's experience was fortunate in that many of the Title II results paved the way for a market-focused project.

7) Facilitation versus Direct Service Provision

For Save the Children, the transition from a food security to a market-focused project involved changing from a direct service provision mindset to a facilitation mindset. We define direct service provision as the implementation of an activity with the cooperation of only one value chain actor. The capacity building activities mentioned earlier (e.g., in the fruit value chain) are a good example because in this case Save the Children designed a curriculum, trained, and provided materials to producers. Save the Children oversees the entire process and does not work so that other value chain actors provide a similar service. Another example is the infrastructure construction. During Title II we built infrastructure such as bathrooms, made road improvements, and installed micro irrigation systems. This was direct service provision because Save the Children financed the project with counterpart funds from the beneficiaries themselves, provided the technical design specifications, oversaw the purchase and delivery of materials and managed the construction process.

The Sustained Market Access project saw a drastic change in this model. Under this project, Save the Children facilitated activities. We define facilitation as using project resources to motivate one actor to work with another in the value chain in such a way that the activities are mutually beneficial and sustainable. The producer fair and trainings in the milk value chain are good examples. In the background, Save the Children provided partial funding and supporting activities, but in the end value chain actors themselves were able to take on such roles.

When Save the Children moved to a facilitator role, we decided which activities were most important for the sustainability of the commercial relationship among actors. In the fruit value chain, for example, the lack of direct communication between buyer and producers risked the failure of the relationship over the long term. As such, Save the Children facilitated meetings so that both actors could meet face-to-face. Another deciding factor in choosing activities was the level of investment and effort that each value chain actor was willing to put into a given activity. For example, if producers were not willing to pay for part of their trip to meet a buyer, and if a buyer was not willing to make time in his/her Save the Children schedule or travel to meet the producer, then the activity was not a good investment of project funds because it would not be sustainable in the future.

Changing to a facilitator role also required different Save the Children activities. First, as mentioned above, we selected model producers. For *Molinos Guadalupe* this was an important input because it reduced the risk and intensity of the investment required to enter the zone. Instead of working with every producer in the zone, Save the Children pre-selected models to receive attention and spread the technology to their neighbors. By working with the model producers, *Molinos Guadalupe* was able to focus on serious producers, and thus maximize the time they spent in the field. Save the Children also provided inputs to the *Molinos Guadalupe* technician in terms of how to teach. Although the *Molinos Guadalupe* technician was well-qualified, he needed to learn skills in working in rural communities. Because our field technicians had six-seven years

| Lesson:

Moving into more of a facilitation role (as opposed to direct service provision) allowed Save the Children to use project resources to motivate actors to work with another in the value chain in such a way that the activities are mutually beneficial and sustainable.

of experience living and working in rural communities, they helped the *Molinos Guadalupe* technician learn how to time trainings, speak to producers in a language they understood, and gain the respect and trust of future customers.

8) Adjusting Target Population Expectations

Because Save the Children had a long history of Title II service provision activities, it was necessary to adjust the expectations of the beneficiary population. We therefore worked with model producers, and wrote criteria. These criteria were shared with producers so that they understood that receiving inputs also came with certain responsibilities. In addition, many of the activities required beneficiaries' own investment if they were to fully benefit. Exchange trips required partial payment, for example. As such, many of the beneficiaries were self-selecting because not every beneficiary that originally enrolled in the program stayed enrolled. The project started with over 600 enrolled beneficiaries, but by the project's end approximately 200 had dropped-out. These drop-outs were due to lack of assets for incentives. That is, the project did not award participation with food rations as in Title II or other forms of prizes. The main incentive was learning, and taking advantage of business opportunities.

During project implementation the Save the Children team also realized that not every activity could be considered either direct service provision or facilitation. In some cases Save the Children played a catalyst role, which includes Save the Children activities that are critical in making a relationship between producers and formal market buyers function. For example, in the beginning of the project, we helped the communication flow between formal markets and rural producers. Before selling arrangements were agreed upon, Save the Children approached formal markets and performed market assessments to investigate demands in terms of quantities and qualities. As the buyers expressed interest, Save the Children communicated with them and then passed their orders to rural producers. One of the advantages of this role is that many buyers were not willing to work with producers directly until the producers could show that they were reliable. As such, many producers are caught in a cycle where it takes formal market experience to get formal market experience. Because Save the Children worked in agribusiness during Title II, we provided a layer of trust and guarantee for the producer to the formal market buyers.

However, this role also came with disadvantages. One of the disadvantages was the risk that producers would not learn to communicate with formal market buyers or create a system of communication. Communication, in fact, was one of the most difficult challenges in the project for several reasons. First, formal market buyers and producers communicate very differently. Producers are more accustomed to face-to-face meetings because they live in areas without access to phones or Internet. Formal market buyers, however, preferred to arrange meetings over the phone or email. Another difference is the frequency of communication. Producers were comfortable speaking to their buyers at the beginning of the season in order to establish the terms of the buying-selling agreement and if there was a problem in payment. However, buyers preferred to call or email to confirm delivery dates, that payment was received, and to resolve any other issues that may have arisen during the week. These differences in communication style and frequency made direct communication, especially at the beginning of the project, a challenge.

| Lesson:

Producers and buyers should work together to create a system of communication that includes guidelines for how to communicate (phone, email, in person visits) as well as the frequency.

Over the course of the project, the communication between buyers and sellers improved through organized visits to buyers and buyers' willingness to travel to meet producers. One of the lessons learned is that producers and buyers should work together to create a system of communication as soon as possible. A system of communication refers to

establishing guidelines for how to communicate (phone, email, in person visits) as well as the frequency. The Save the Children team also learned that the additional cost of communication could be shared when buyers agreed to visit producers or if buyers agreed to pay part of the cost for a producer to visit. In either case, both were signs that a buyer values the relationship with a certain producer and is willing to invest in it.

9) Is Service Provision Necessary?

A question that kept arising in the transition from a food security market focus to facilitation practices is whether the groundwork laid by Title II was necessary. In other words, at what point of departure is it possible to begin a market access project that uses facilitation techniques (i.e., the Sustained Market Access project)?

For Save the Children, the Title II ground work was necessary because it prepared producers to begin working in formal markets as well as gave them incentive to work with a different set of buyers. Without the preliminary market experience gained in Title II, it is doubtful that producers would have been willing to sell in formal markets. This is evidenced by the lower initial volumes agreed between buyers and producers. While the Title II program did not initially begin with a value chain approach, the four years of Title II-style value chain work was valuable and necessary in the implementation of the subsequent Sustained Market Access project.

For Save the Children, our main lesson learned was that a higher intensity activity level or more direct service provision was required before actors were ready to become directly involved. This was especially true in zones with high vulnerability to food insecurity because producers generally started with a lower level of experience and education or training.

Save the Children approached value chain work as a gradual process of growth. That is, under Title II we were involved in many aspects of the value chain because we found the chain largely dysfunctional if not altogether absent. In the milk value chain, those producers under Title II were largely dedicated to growing potatoes or fattening cows. As we began working with producers and showing them that selling milk was a profitable investment, many began lowering their time and investments in potatoes and fattening cows and switching to milk production.

Our experience shows that working directly with service provision is a necessary, beginning step in food insecure areas. There is a risk that value chain actors are overly subsidized with project resources and never learn to seek their own solutions or work with other chain actors to solve problems. However, food insecure populations face high risks in the use of their resources and are resistant to change unless they see and experience how they can benefit. In order to show these changes, it was necessary to use project resources and provide certain subsidies. We learned that providing partial funding was one way to help producers invest in their activities. In the milk value chain, for example, many producers began selling milk in 2003, but not all of them had the infrastructure critical to milk production in the Altiplano – stables, milking rooms, or feeding troughs. Save the Children provided funding for non-local materials and design support, while producers provided labor and local materials in order to build stables. Save the Children's funding reduced the producers' risks when building stables because they could still invest income in tools they traditionally use in agriculture (such as tractors) or buying more animals (llamas and goats) that serve as insurance in times of scarcity.

| *Lesson:*

Our experience shows that working directly with service provision is a necessary, beginning step in food insecure areas.

10) Value Chain Maturation Requires Different Services

From their Title II growth and experience, by 2008 producers were ready to begin selling larger quantities and better quality to formal market buyers. At the same time, a growing demand for locally grown products and heightened recognition of produce from Sapahaqui and Luirbay, the intervention zones, led to buyers' increasing desire to work with producers. Similarly, in the milk value chain, producers grew in their ability as milk farmers. The milk industry had long-term unmet demands and therefore provided reliable sales.

These changes in both value chain actors led to a greater need to work with supporting market actors so that value chain actors could enter in more consolidated and organized relationships. In the fruit value chain, for example, this need for supporting market actors could be seen in two areas. First was the use of 20 kilo crates. The formal market place in Bolivia requires product delivery in 20 kilo crates as opposed to baskets, 100 kilo crates, or simple cloth enclosures to deliver fruit. The pictures here show the differences; above is a 100 kilo box and below is a 20 kilo box.

The 20 kilo boxes are better for transport because the fruit is better protected, arriving in the condition that was agreed upon in the buying-selling arrangement. From Title II experience we trained producers to use the boxes and showed them the importance. During the Sustained Market Access project, Save the Children linked producers with a local box maker rather than directly buying the boxes. This linkage allowed producers to present their product according to formal market demands.



CONCLUSION

The Learning Agenda highlights the differences between the Title II approach to value chain work and the Sustained Market Access approach. The main difference is how activities are envisioned and implemented. The latter project represents a change from implementing activities in which the project activities are more directly involved to taking a hands-off approach. The experience also shows that among very poor communities, being completely hands-off was not possible. That is, some amount of direct transfer of goods and services was required. While Save the Children gained greater experience in this area of work, still more questions exist:

1. If families begin engaging in greater economic activity, is there a risk that mothers are pulled into commercial activities and therefore have less time to tend to children, as they are the traditional caregivers?
2. At the same time, how can women or gender approaches be more integrated into this kind of work?
3. Does value chain work, without a Title II predecessor, successfully reach the poorest of the poor given that it tends to pick “models” or entrepreneurs?
4. How can we measure and ensure that this type of work has a direct affect on children?
5. How can organizations identify the skills they lack to play a facilitator role? What are the best kinds of capacity building activities?

Save the Children learned to be a better facilitator, and thinks that one of the most important aspects to consider in value chain facilitation work is sustainability. Through its Title II project Save the Children learned that those activities that have a direct positive impact on income are often sustained. As such, when businesses and suppliers work together towards a win-win relationship, the better the chance of the relationships growing and continuing into the future.

CASE STUDY

The Growth of Hacienda Arenal:

A Rural Microenterprise Expands its Horizons in Bolivia



Teófilo and his wife Julia at a networking event facilitated by partner Save the Children.

Teófilo Arenas lives with his wife Julia and their three daughters in a rural area outside of La Paz in Bolivia. For years, the Arenas family has grown fruit to sell in informal markets in La Paz two and a half hours away. Like with many farming families in the municipality, while Teófilo oversees production, Julia travels to the city on a regular basis, arriving by five in the morning with crates of fruit to sell to the first person to make a reasonable offer. Without pre-arranged agreements and no information about prices, the sell was often difficult – requiring long hours of sitting in the street with no guarantees of making a sale.

Informal street markets are characterized by price-of-the-day-selling, little pre-sale communication between the buyer and seller (about required product specifications and prices, for example), and a form of consignment selling where producers get paid once the wholesalers make a sale. In addition, informal market transactions do not emit receipts nor are taxes paid on such transactions.

In recent years, the Arenas family began looking for opportunities outside the La Paz areas, feeling that the informal markets were not fetching the best prices or providing sufficient demand for their produce. Formal markets, however, are farther and the further the market from the farm, the greater the risk that fruit arrives damaged or spoiled. Teófilo and Julia would spend on average two days a week traveling, managing commercial relationships, and selling produce to wholesalers, which were neither consistent nor reliable.

Emphasizing the importance of maintaining fluid and direct communication, Save the Children worked with microenterprise Hacienda Arenal to encourage the producers to establish professional relationships with their buyers for future business transactions.

In 2009, through the USAID-funded [FIELD-Support LWA](#) cooperative agreement, managed by AED, implementing partner Save the Children worked with Julia and Teófilo to broker relationships with two important industrial fresh fruit buyers: Del Valle in Cochabamba and TropiFruit in Santa Cruz—to purchase industrial quantities of fruit. Save the Children recognized that formalized relationships like this can better define the quality standards desired by buyers, and allow producers to better focus their growing strategies. In addition, pre-negotiated prices can benefit both buyers and sellers by preventing price spikes or decreases, and face-to-face meetings between the sellers and buyers can also help determine buying policies (devolution, payment mechanism, day of sale) and smooth out any unforeseen problems that may arise during the selling season.

The Arenas family had always been entrepreneurial. Four years earlier, Teófilo and Julia had transformed their small orchard into *Hacienda Arenal*, a microenterprise that manufactures various marmalades, vinegars, wines, teas, and dried fruit products. This new relationship with Del Valle and TropiFruit was another opportunity for *Hacienda Arenal* to further expand their business, but the requested quantities were far greater than what they were currently producing. Using their entrepreneurial skills and community reputation, *Hacienda Arenal* augmented their own produce by buying fruit from their neighbors and other producers in the zone—including nearly 60 other families. This would allow them to sell in large quantities, as the companies were looking for more than ten times what the family had sold during the last year. Teófilo and Julia also took advantage of their strong relationship with the micro-credit institution Sartawi to pay suppliers up-front, arrange for transportation, and purchase boxes to ship their produce.

A few months later, Teófilo and Julia had successfully delivered on their agreement with TropiFruit. Soon thereafter, however, they encountered a problem. Four days prior to their delivery date with Del Valle, they determined that they would not be able to make the required quantities or the delivery deadline. Instead of letting Del Valle know, *Hacienda Arenal* came to Save the Children because they had not been maintaining regular communication with Del Valle and were now afraid that if they did not meet the original requirements, there would be no orders the following year.

While informal markets thrive on information asymmetries, formal market agreements are more efficient when there is a free and open flow of information between trusted partners.

Save the Children worked with Julia and Teófilo to help them connect with Del Valle and negotiate a reduced quantity and postpone the delivery date. On the day of the delivery, however, Del Valle was no longer willing to pay the pre-arranged price. With Save the Children's assistance, *Hacienda Arenal* arranged a meeting to work out why the price had dropped, and learned that the quality of the fruit had not met Del Valle's expectations. In fact, fruit as delivered would have damaged the processing machines. Despite the problems during the selling season, the purchasing manager of Del Valle saw the potential for a long-term relationship with *Hacienda Arenal*, and decided to take time to visit the orchard to help *Hacienda Arenal* better understand their needs and requirements. Save the Children facilitated the visit by providing transport for Del Valle. Over homemade apple juice, the businesses discussed what had gone wrong, and were able to come up with solutions to the problems. Del Valle even agreed to send a specialist to the orchard to provide some technical assistance before the harvest. Emphasizing the importance of maintaining fluid and direct communication, Save the Children continued to work with *Hacienda Arenal* and others to encourage producers to establish professional relationships with their buyers and help mitigate problems such as this in the future.

For *Hacienda Arenal* there were many lessons learned in dealing with formal markets. Professionalism and direct, frequent communication were new to the Arenas. While informal markets thrive on information asymmetries, formal market agreements are more efficient when there is a free and open flow of information between trusted partners. Recognizing the importance of professionalism and building trust, Teófilo decided to enroll in a technology class offered by Save the Children in order to learn how to write emails and create documents in order to improve his communication with buyers.

Through the Sustained Market Access pilot, Save the Children also learned some important lessons in serving as an effective facilitator. Securing the first order is not enough to establish a relationship between a buyer and a producer. A close relationship between the businesses needs face-to-face meetings and direct, regular contact between the two partners. When Save the Children served as the intermediary communicator, the relationship was put at risk. It was essential, therefore, that the two partners figure out their own system of communication.

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